

AMENDED IN ASSEMBLY JUNE 7, 2012

AMENDED IN SENATE APRIL 19, 2012

SENATE BILL

No. 1130

Introduced by Senator De León
(Principal coauthor: Assembly Member Skinner)

February 21, 2012

An act to add Chapter ~~5-10~~ 13 (commencing with Section ~~25499~~ 25987.1) to ~~of~~ Division 15 of the Public Resources Code, relating to energy, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 1130, as amended, De León. Energy: energy assessment: commercial buildings: ~~retrofitting~~: financing.

Existing law requires the State Energy Resources Conservation and Development Commission to implement a program to provide financial assistance for energy efficiency projects.

This bill would enact the Commercial Building Energy Retrofit Financing Act of 2012 and would require the commission to establish the Commercial Building Energy Retrofit Financing Program and to hire a third-party administrator by July 1, 2013, to develop and operate the program to provide financial assistance, through authorizing the issuance of, among other things, revenue bonds, to owners of eligible commercial properties for implementing energy improvements for their properties. The bill would provide that the bonds are secured by the recording of an energy remittance repayment agreement, as defined, on the deed of the property for which the improvements are performed. The bill would require the State Board of Equalization to collect installment payments from owners of eligible properties whose applications have been approved by the commission.

This bill would require the commission to meet, for the purpose of approving applicants to participate in the program and authorizing the issuance of, among other things, negotiable bonds to generate moneys sufficient to finance energy efficiency retrofit measures specified on applications that have been approved prior to the meeting. The bill would authorize the Treasurer to issue and renew the negotiable bonds.

This bill would establish the Commercial Building Energy Retrofit Debt Servicing Fund, the Loan Loss Reserve Account, and the Administration Account within the fund. The bill would require the State Board of Equalization to deposit the installment payment received from the owners of eligible properties into the fund and the fees collected into the specified accounts. The bill would continuously appropriate the moneys in the fund and the accounts to repay the principal and interest on the bonds, and to cover the administrative costs incurred by the Treasurer, the commission, and the State Board of Equalization, thereby making an appropriation.

Existing law establishes incentives in the form of grants and loans to low-income residents, small businesses, and residential property owners for constructing and retrofitting buildings to be more energy efficient.

The bill would *also* require the State Energy Resources Conservation and Development Commission to analyze and evaluate standards for commercial energy building.

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 13 (commencing with Section 25987.1)
2 is added to Division 15 of the Public Resources Code, to read:

3
4 CHAPTER 13. COMMERCIAL BUILDING ASSESSMENT FINANCING

5
6 Article 1. General Provisions and Definitions

7
8 25987.1. This act shall be known, and may be cited, as the
9 Commercial Building Energy Retrofit Financing Act of 2012.

10 25987.2. The purpose of this chapter is to facilitate private
11 financing to enable private commercial building owners to invest
12 in clean energy improvements, to incentivize private equity
13 managers to invest in clean energy improvements, to stimulate the

1 *state economy by directly creating jobs for contractors and other*
2 *persons who complete new energy improvements, and to reinforce*
3 *the leadership role of the state in the new energy economy, thereby*
4 *attracting energy manufacturing facilities and related jobs to the*
5 *state.*

6 25987.3. *The Legislature finds and declares all of the*
7 *following:*

8 (a) *Commercial buildings represent a huge opportunity to*
9 *significantly increase energy efficiency and reduce greenhouse*
10 *gas emissions. To do this, we need to address the design,*
11 *construction, and operation of these buildings.*

12 (b) *The lack of accessible and affordable financing for energy*
13 *efficiency retrofits results in energy-inefficient buildings that are*
14 *estimated to consume up to 50 percent more energy than required*
15 *to achieve the same level of comfort. Energy use in the building*
16 *sector accounts for approximately 20 percent of global emissions*
17 *of carbon dioxide, or 10 billion tons, annually.*

18 (c) *It is possible to retrofit the California commercial building*
19 *stock to use, on average, at least 50 percent less energy by 2050*
20 *through the wide adoption of deep energy retrofits that save more*
21 *energy and increase profits for building owners.*

22 (d) *Investment in building performance upgrades is an intelligent*
23 *business decision. Building performance upgrades lower operating*
24 *costs, improve occupant comfort, hedge against utility price*
25 *increases, demonstrate commitment to tenant well-being, reduce*
26 *exposure to regulation, help the environment, and ultimately boost*
27 *property values.*

28 (e) *It is in the best interest of the state and its citizens to enable*
29 *and encourage the owners of eligible commercial property to invest*
30 *in new energy improvements, including energy efficiency*
31 *improvements, water efficiency improvements, and renewable*
32 *energy improvements, by enacting this division to establish,*
33 *develop, finance, implement, and administer a new energy*
34 *improvement program that provides for both energy efficiency*
35 *improvements and renewable energy improvements and to assist*
36 *those owners who choose to participate in the program to complete*
37 *new energy improvements to their properties because of the*
38 *following:*

39 (1) *New energy improvements, including energy efficiency*
40 *improvements and renewable energy improvements, can provide*

1 *positive cashflow when the costs of the improvements are spread*
2 *out over a long enough time that building's cumulative utility bill*
3 *cost savings exceed the amount of the liens recorded on the eligible*
4 *buildings to assure payment for the improvements.*

5 *(2) Many owners of eligible commercial buildings are unable*
6 *to fund a new energy improvement because the owners do not have*
7 *sufficient liquid assets to directly fund the improvement or are*
8 *unable or unwilling to incur the negative net cashflow likely to*
9 *result if the owner uses a typical existing loan program to fund*
10 *the improvement.*

11 *(f) Reduction in the amount of emissions of greenhouse gases*
12 *and environmental pollutants resulting from increased efficiencies*
13 *and the resulting decreased use of traditional nonrenewable fuels*
14 *will improve air quality and may help to mitigate climate change.*

15 *(g) The commercial building owners who participate in the*
16 *program established pursuant to this division to assist them in*
17 *completing new energy improvements, including energy efficiency*
18 *improvements and renewable energy improvements, to the property*
19 *shall do so voluntarily.*

20 *25987.4. Unless the context otherwise requires, for the*
21 *purposes of this division, the following terms have the following*
22 *meanings:*

23 *(a) "Applicant" means a person, or an entity or group of*
24 *entities, engaged in business or operations in the state, whether*
25 *organized for profit or not for profit that applies for financial*
26 *assistance from the commission for the purpose of implementing*
27 *a project in a manner prescribed by the commission.*

28 *(b) "Alternative sources of energy" or "alternative energy*
29 *sources" means energy from cogeneration technology, the*
30 *conservation of energy, or energy from solar, biomass, wind,*
31 *geothermal, or any other source of energy, the efficient use of*
32 *which will reduce the use of conventional energy fuels.*

33 *(c) "Board" means the State Board of Equalization.*

34 *(d) "Commercial Building Energy Retrofit Bond" means a bond*
35 *issued pursuant to Section 26987.28 that is secured by an energy*
36 *remittance repayment agreement on property entered into*
37 *voluntarily to finance the installation of renewable energy sources,*
38 *energy efficiency improvement or retrofits, or water efficiency*
39 *improvements.*

40 *(e) "Conventional energy fuel" means any of the following:*

1 (1) A fuel derived from petroleum deposits, including, but not
2 limited to, oil, heating oil, gasoline, and fuel oil.

3 (2) Natural gas, including liquified natural gas.

4 (3) Nuclear fissionable materials.

5 (f) “Demand response” means energy storage, controls, and
6 associate equipment that permits altering the timing of energy
7 demand in return for economic reward based on time of use pricing
8 or demand response incentive.

9 (g) “Eligible building” means a commercial or industrial
10 building located within the boundaries of the state.

11 (h) “Energy efficiency improvement or retrofit” means one or
12 more installations or modifications to eligible property that are
13 designed to reduce the energy consumption of the building and
14 includes, but is not limited to, all of the following:

15 (1) High-efficiency mechanical equipment.

16 (2) High-efficiency electrical equipment.

17 (3) Capturing or reducing heat gain or solar shading, including
18 the roof and south and west walls, and not just glazing.

19 (4) High-efficiency water heating.

20 (5) Insulation in walls, roofs, floors, and foundations and in
21 heating and cooling distribution systems.

22 (6) Storm windows and doors, multiglazed windows and doors,
23 heat-absorbing or heat-reflective glazed and coated window and
24 door systems, additional glazing, reductions in glass area, and
25 other window and door system modifications that reduce energy
26 consumption.

27 (7) Automatic energy control systems.

28 (8) Heating, ventilating, or air conditioning and distribution
29 system modifications or replacements.

30 (9) Caulking and weather stripping.

31 (10) Replacement or modification of lighting fixtures to increase
32 the energy efficiency of the system.

33 (11) Energy recovery and energy storage systems.

34 (12) Daylighting systems.

35 (13) A modification, installation, or remodeling approved as a
36 utility cost-savings measure by the State Energy Resources
37 Conservation and Development Commission, and which may
38 include measures described in the Database for Energy Efficiency
39 Resources (DEER) overseen by the California Public Utilities
40 Commission (CPUC) and utilized by investor-owned utilities and

1 *energy efficiency specialists participating in their Energy Efficiency*
2 *(EE) programs.*

3 (i) *“Energy remittance repayment agreement” means a*
4 *contractual agreement between an eligible building owner and*
5 *the commission, secured by a lien recorded on an eligible building*
6 *specially benefited by a new energy improvement for which the*
7 *commission will make reimbursement or a direct payment to the*
8 *party financing the energy improvements, and “contractual energy*
9 *remittance” means that reimbursement or direct payment. The*
10 *amount to be repaid pursuant to the energy remittance repayment*
11 *agreement shall include the costs necessary to finance the energy*
12 *efficiency improvements less any rebates, grants, and other direct*
13 *financial assistance received by the owner pursuant to other law*
14 *and a loan loss reserve fee that is not less than 1.5 percent to be*
15 *established by the program administrator of the financing costs*
16 *to insure against nonperformance of the loan and other losses of*
17 *the program, and a program administrative cost fee.*

18 (j) *“Energy efficiency specialist” means an individual or*
19 *business certified by rules or requirements of the State Energy*
20 *Resources Conservation and Development Commission, the Public*
21 *Utilities Commission, an investor-owned utility, or a publicly*
22 *owned utility to analyze, evaluate, or install a renewable energy*
23 *source, energy efficiency improvement, or water efficiency*
24 *improvement for eligible property.*

25 (k) *“Financial assistance” means either of the following:*

26 (1) *Loans, loan loss reserves, interest rate reductions, secondary*
27 *loan purchase, insurance, guarantees or other credit enhancements*
28 *or liquidity facilities, contributions of money, property, labor, or*
29 *other items of value, or any combination thereof, as determined*
30 *by, and approved by a resolution of, the commission.*

31 (2) *Other types of assistance the commission determines is*
32 *appropriate.*

33 (l) *“Loan balance” means the outstanding principal balance*
34 *of loans secured by a mortgage or deed of trust with a first or*
35 *second lien on eligible property.*

36 (m) *“Loan loss reserve fee” means a fee paid by a combination*
37 *of banks, loan recipients, and government agencies, that serves*
38 *as collateral in the event of a loan default.*

39 (n) *“Participant” means a person, or an entity or group of*
40 *entities, engaged in business or operations in the state, whether*

1 *organized for profit or not for profit, that, as a qualified applicant*
2 *is approved for financial assistance pursuant to Article 2 of this*
3 *chapter and has entered into an energy remittance repayment*
4 *agreement with the commission for the purpose of implementing*
5 *a project in a manner prescribed by the commission.*

6 *(o) “Portfolio” means an aggregation of approved applications.*

7 *(p) “Program” means the Commercial Building Energy Retrofit*
8 *Financing Program established by the commission in accordance*
9 *with Section 26987.7.*

10 *(q) “Program administration cost fee” mean costs incurred by*
11 *the commission, the Treasurer, and the State Board of Equalization*
12 *to administer the program.*

13 *(r) “Project” means a building, improvement to the land or*
14 *building, rehabilitation, work, property, or structure, real or*
15 *personal, stationary or mobile, including, but not limited to,*
16 *machinery and equipment, that utilizes water efficiency*
17 *improvements, alternative sources of energy, or energy efficiency*
18 *improvements.*

19 *(s) “Qualified applicant” means a person or business entity*
20 *who does all of the following:*

21 *(1) Owns an eligible building that has a ratio of loan balance*
22 *to its appraised value not to exceed 85 percent and subject to*
23 *adjustment by the program administrator at the time the person’s*
24 *program application is approved, as shown in the records of the*
25 *county assessor, unless the holder of the deed of trust or mortgage*
26 *recorded against the eligible property that has priority over all*
27 *other deeds of trust or mortgages recorded against the eligible*
28 *property has consented in writing to the recording of an energy*
29 *remittance repayment agreement pursuant to this division against*
30 *the eligible property.*

31 *(2) Timely submits to the commission a complete application,*
32 *which notes the existence of any first priority mortgage or deed*
33 *of trust on the eligible property and the identity of the holder of*
34 *the mortgage or deed of trust, to join the program and consents*
35 *to the levying of a special assessment on the property pursuant to*
36 *this chapter.*

37 *(3) Meets standard of credit worthiness that the commission*
38 *may establish.*

39 *(t) “Renewable energy” means heat, processed heat, space*
40 *heating, water heating, steam, space cooling, refrigeration,*

1 *mechanical energy, electricity, or energy in any form convertible*
2 *to these uses, whether produced or conserved, that does not expend*
3 *or use conventional energy fuels, and that uses any of the following*
4 *electrical generation technologies:*

5 (1) *Biomass.*

6 (2) *Solar thermal.*

7 (3) *Photovoltaic.*

8 (4) *Wind.*

9 (5) *Geothermal.*

10 (u) *“Renewable energy improvement” means one or more*
11 *fixtures, products, systems, or devices, or an interacting group of*
12 *fixtures, products, systems, or devices, that directly benefit an*
13 *eligible property or that are installed on the user side of an electric*
14 *meter of an eligible property and that produce energy from*
15 *renewable resources, including, but not limited to, photovoltaic,*
16 *solar thermal, small wind, low-impact hydroelectric, biomass, or*
17 *geothermal systems such as ground source heat pumps, as may be*
18 *approved by the commission.*

19
20 *Article 2. Commercial Building Energy Retrofit Financing*
21 *Program*
22

23 25987.5. *The purpose of the Commercial Building Energy*
24 *Retrofit Financing Program is to help provide the special benefits*
25 *of water efficiency improvements, alternative energy, and energy*
26 *efficiency improvements to owners of eligible property who*
27 *voluntarily participate in the program by establishing, developing,*
28 *financing, and administering a program to assist those owners in*
29 *completing improvements.*

30 25987.6. *The commission shall have and exercise all rights*
31 *and powers necessary or incidental to or implied from the specific*
32 *powers granted to the commission by this division. Those specific*
33 *powers shall not be considered as a limitation upon any power*
34 *necessary or appropriate to carry out the purposes and intent of*
35 *this chapter.*

36 25987.7. *The commission shall establish, develop, finance, and*
37 *administer pursuant to Section 25987.9 the Commercial Building*
38 *Energy Retrofit Financing Program. The program shall be*
39 *designed to provide financial assistance for an owner of an eligible*
40 *building to use one or more energy efficiency specialists to retrofit*

1 *the property with one or more alternative energy sources or*
2 *renewable energy improvements, energy efficiency improvements,*
3 *or water efficiency improvements, by applying to the commission*
4 *for inclusion of the owner's project in a portfolio that will be*
5 *financed through the use of the revenue bonds issued pursuant to*
6 *this chapter. These bonds shall be secured by revenues generated*
7 *through energy remittance repayment agreements recorded on the*
8 *buildings benefited by the projects in the portfolio. The program*
9 *shall provide financial assistance for energy efficiency*
10 *improvements when the total energy and water cost savings*
11 *realized by the property owner, and any successor or successors*
12 *to the property owner, during the useful life of the improvements,*
13 *as determined by an analysis required pursuant to subdivision (i)*
14 *of Section 26987.13 are expected to exceed the total costs incurred*
15 *by the owner pursuant to the program.*

16 *25987.8. To receive financial assistance pursuant to this*
17 *chapter, a qualified applicant shall contractually agree to the*
18 *recording of an energy remittance repayment agreement on the*
19 *eligible building that is being retrofitted.*

20 *25987.9. By July 1, 2013, the commission shall develop a*
21 *request for proposal to develop the program by a third-party*
22 *administrator and for the third-party administrator to administer*
23 *the program and establish an automated, asset-based underwriting*
24 *system for all eligible properties in the state. The party selected*
25 *as the third-party administrator shall only be selected if the*
26 *program by the party submitted requires all costs, including*
27 *start-up costs of the program, to be covered by the loan recipients,*
28 *the administrator, the bond purchasers, or some combination*
29 *thereof. The program selected shall not include General Fund*
30 *costs or liabilities, with the exception of loans from the General*
31 *Fund utilized for start-up costs, that shall be repaid within two*
32 *years.*

33 *25987.10. The third-party administrator shall establish*
34 *underwriting guidelines that consider an applicant's qualification,*
35 *and other appropriate factors, including, but not limited to, credit*
36 *reports and loan-to-value ratios, consistent with good and*
37 *customary lending practices, necessary for the Treasurer to obtain*
38 *a bond rating for bonds issued pursuant to Article 3 (commencing*
39 *with Section 25987.28) for a successful bond sale.*

1 25987.11. *The third-party administrator shall disclose to an*
2 *owner of a commercial building all fees imposed pursuant to this*
3 *chapter, including the loan loss reserve fee, the program*
4 *administration cost fee, and the interest rate charged, prior to the*
5 *submission of an application by the building owner.*

6 25987.12. (a) *An owner of an eligible building who wishes to*
7 *undertake an energy efficiency project shall submit to the*
8 *third-party administrator an application to participate in the*
9 *program.*

10 (b) *The submission of an application is deemed to be a voluntary*
11 *agreement by the owner for the commission to record the energy*
12 *remittance repayment agreement on the deed of the eligible*
13 *building upon the approval of the application.*

14 (c) *The application form developed by the third-party*
15 *administrator shall include a statement in no less than 12-point*
16 *type stating the following:*

17 SUBMISSION OF THIS APPLICATION CONSTITUTES THE
18 VOLUNTARY CONSENT OF THE APPLICANT FOR THE
19 RECORDATION OF THE ENERGY REMITTANCE REPAYMENT
20 AGREEMENT ON THE DEED OF THE ELIGIBLE PROPERTY.
21 UPON THE APPROVAL BY THE COMMISSION OF THE
22 APPLICATION AND THE RECORDATION OF THE ENERGY
23 REMITTANCE REPAYMENT AGREEMENT, A LIEN IN THE
24 AMOUNT SPECIFIED IN THE ENERGY REMITTANCE
25 REPAYMENT AGREEMENT SHALL BE SECURED BY THE
26 PROPERTY.

27 25987.13. *The owner of an eligible building shall include all*
28 *of the following information in the application:*

29 (a) *The name, business address, and e-mail address of the*
30 *owners of the eligible building.*

31 (b) *The names of all entities that hold a secured lien on the*
32 *eligible building and their contact information.*

33 (c) *The total dollar amount of liens that have been recorded on*
34 *the eligible building.*

35 (d) *An appraisal of the value of the eligible building.*

36 (e) *A detailed description of the energy efficiency improvements*
37 *being funded.*

38 (f) *The name of the financial institution providing interim*
39 *financing for the improvements or the warehouse facility developed*
40 *pursuant to Section 25987.26.*

1 (g) *The structure of the loan financing the energy efficiency*
2 *improvements.*

3 (h) *Any information that the commission or third-party*
4 *administrator requires to verify that the owner will complete the*
5 *project.*

6 (i) *An analysis performed by an energy efficiency specialist to*
7 *quantify the costs of the energy and water efficiency improvements,*
8 *and total energy and water cost savings realized by the owner, or*
9 *his or her successor during the useful life of, and estimated carbon*
10 *impacts of, the improvements, including an annual cash flow*
11 *analysis.*

12 (j) *Other information deemed necessary by the commission or*
13 *the third-party administrator.*

14 25987.14. (a) *In addition to the information required under*
15 *Section 26987.13, an applicant shall provide in the application a*
16 *detailed description of the property and a detailed description of*
17 *the transactional activities associated with the improvements,*
18 *including all transactional costs and other information deemed*
19 *necessary by the commission or the third-party administrator.*

20 (b) *An applicant shall agree in the application to remit*
21 *repayment installments due by an electronic funds transfer under*
22 *procedures prescribed by the board.*

23 25987.15. (a) *The third-party administrator shall recommend*
24 *to the commission on the approval or disapproval of an*
25 *application.*

26 (b) *The commission may approve and accept into the program*
27 *only those applicants that meet both of the following conditions:*

28 (1) *The applicant is a qualified applicant.*

29 (2) *For improvements that exceed five hundred thousand dollars*
30 *(\$500,000), the property owner shall obtain a guarantee on the*
31 *energy and water cost savings as quantified by the analysis*
32 *required pursuant to subdivision (i) of Section 26987.13 by*
33 *obtaining energy savings insurance issued by an A.M. Best “A”*
34 *or better rated carrier or a similar product adopted by regulation*
35 *by the commission.*

36 25987.16. (a) *Upon the mutual agreement of the participant*
37 *and the third-party administrator, the third-party administrator*
38 *shall establish an annualized schedule for the repayment required*
39 *by the energy remittance repayment agreement, including the*
40 *interest charged, administrative cost fee, and loan loss fee.*

1 (b) The board shall collect the repayment installments that
2 become due and payable.

3 (c) (1) The period for repayment of the energy remittance
4 repayment agreement shall not exceed the expected useful life of
5 the improvements or 20 years, whichever is shorter.

6 (2) The calculated expected useful life of the energy efficiency
7 improvements shall be calculated using methodologies approved
8 by the commission for performing those calculations.

9 (d) Upon the failure of the participant to pay any installment
10 toward the repayment of the energy remittance repayment
11 agreement when the installment becomes due and owing pursuant
12 to the schedule for repayment, the board shall assess a penalty on
13 the delinquent payment of 10 percent of the unpaid installment.

14 (e) Within 60 days of a failure to pay the scheduled energy
15 remittance, the board shall issue a demand letter to the participant
16 with notice provided to the commission and provide the participant
17 with 30 days to cure the default.

18 (f) (1) If the participant fails to cure the default within the time
19 allotted, the board shall declare the entire outstanding energy
20 remittance repayment agreement balance, including any interest
21 due, penalties assessed, and costs of collection incurred,
22 immediately due and owing and foreclose on the energy remittance
23 repayment agreement.

24 (2) Revenue generated from the sale of the eligible building
25 shall be distributed to satisfy liens on the eligible building in
26 accordance with the priority of the liens as provided by law.

27 (g) A participant who is not in default may pay the entire unpaid
28 balance of the energy remittance repayment agreement plus any
29 interest accruing to the maturity of the next installment payment
30 without prepayment penalty.

31 (h) Upon the full repayment of the balance of the energy
32 remittance repayment agreement, and interest and penalties that
33 had accrued, the State Board of Equalization shall notify the
34 commission of that repayment. Within 30 days of the receipt of the
35 notice, the board shall record with the county in which the eligible
36 building is located a release of the energy remittance repayment
37 agreement.

38 25987.17. (a) A participant shall remit repayment installments
39 due by an electronic funds transfer to the board under procedures
40 prescribed by the board.

1 (b) Any participant remitting amounts due pursuant to
2 subdivision (a) shall perform electronic funds transfers in
3 compliance with the due dates prescribed in the schedule for
4 repayment. Payment is deemed complete on the date the electronic
5 funds transfer is initiated if settlement to the state's demand
6 account occurs on or before the banking day following the date
7 the transfer is initiated. If settlement to the state's demand account
8 does not occur on or before the banking day following the date
9 the transfer is initiated, payment is deemed to occur on the date
10 settlement occurs.

11 (c) Any participant who remits a repayment installment by
12 means other than appropriate electronic funds transfer shall pay
13 a penalty of 10 percent of the repayment installment incorrectly
14 remitted.

15 (d) The board may prescribe, adopt, and enforce regulations
16 relating to the collection of the installment repayment pursuant to
17 the Administrative Procedure Act (Chapter 3.5 (commencing with
18 Section 11340) of Part 1 of Division 3 of Title 2 of the Government
19 Code) for purposes of collecting energy remittance repayment
20 installments.

21 25987.18. (a) Prior to approving an application for inclusion
22 into a loan portfolio and the recordation of the energy remittance
23 repayment agreement, or a modification of an approved
24 application, the commission shall conduct a public hearing on the
25 application or modification.

26 (b) The commission shall post a notice of the hearing on the
27 commission's Internet Web site and provide the notice, in writing,
28 to all lienholders of the eligible building no later than 30 days
29 prior to the hearing.

30 (c) The notice shall specify all of the following:

31 (1) The name of the qualified applicant.

32 (2) The address of the eligible building.

33 (3) The amount required to be repaid by the energy remittance
34 repayment agreement proposed to be recorded on the eligible
35 building.

36 (4) The date and place of the public hearing.

37 (5) The schedule for repayment of the contractual energy
38 remittance and associated costs as agreed upon between the
39 qualified applicant and the commission.

1 (6) *The interest rate assessed pursuant to the energy remittance*
2 *repayment agreement.*

3 (7) *A detailed description of the proposed modification, if*
4 *applicable.*

5 (d) *The notice shall inform the lienholder that any complaints*
6 *or objections to either the approval of the application and the*
7 *recordation of the energy remittance repayment agreement on the*
8 *eligible building or the modification of an approved application*
9 *shall be submitted, in writing, to the commission prior to the*
10 *hearing.*

11 25987.19. *At the public hearing, the commission shall consider*
12 *and resolve all complaints and objections made.*

13 25987.20. *In evaluating the eligibility of an applicant, the*
14 *commission shall consider the creditworthiness of the applicant*
15 *and the effectiveness of the improvements applying the following*
16 *criteria, including, but not limited to, all of the following:*

17 (a) *Whether applicants are legal owners of the underlying*
18 *property.*

19 (b) *Whether applicants are current on any outstanding mortgage*
20 *and property tax payments.*

21 (c) *Whether applicants are in default or in bankruptcy*
22 *proceedings.*

23 (d) *Whether improvements financed by the program follow*
24 *applicable standards including any guidelines adopted by the*
25 *commission.*

26 25987.21. (a) *The commission shall approve an application*
27 *through the adoption of a resolution approving the application*
28 *and authorizing the recording of the energy remittance repayment*
29 *agreement on the deed of the eligible property.*

30 (b) *The resolution shall specify the amount required to be paid*
31 *to the board pursuant to the energy remittance repayment*
32 *agreement, the schedule of repayment, and the interest rate*
33 *charged.*

34 (c) *The commission shall approve the modification of an*
35 *approved application through the adoption of a resolution.*

36 25987.22. (a) *The energy remittance repayment agreement*
37 *shall be subordinate to any and all secured mortgage liens*
38 *recorded against the deed of the eligible property at the time of*
39 *recording of the energy remittance repayment agreement.*

1 (b) Except as otherwise required by law, the energy remittance
2 repayment agreement shall be superior in priority to all subsequent
3 liens recorded on the deed of the eligible property.

4 (c) The sale of the eligible property to enforce the payment of
5 general ad valorem taxes shall not extinguish the energy remittance
6 repayment agreement recorded on the eligible property.

7 (d) In the event of foreclosure, the energy remittance repayment
8 agreement shall not be due and owing during such time when the
9 property is owned by a financial institution taking title by way of
10 foreclosure. The amounts owing pursuant to the energy remittance
11 repayment agreement shall, however, continue to accrue and shall
12 become due 60 days after a new, nonfinancial owner shall take
13 title.

14 (e) Notwithstanding any other law, in the event of a foreclosure
15 of the property, the energy remittance repayment agreement shall
16 not be extinguished, unless the outstanding balance of the energy
17 remittance repayment agreement, including the interest accrued
18 and all penalties and fees assessed prior to the foreclosure, is fully
19 paid through the foreclosure proceeding.

20 25987.23. (a) Thirty days after the adoption of the resolution,
21 the commission shall forward the resolution, the agreement, and
22 any other information necessary to collect the installment
23 repayments to the board which shall record with the county in
24 which the eligible building is located the energy remittance
25 repayment agreement on the deed of the eligible property. The
26 board shall notify the commission upon the recordation of the
27 energy remittance agreement.

28 (b) Upon 60 days of the notice of recording of the energy
29 remittance repayment agreement, the commission shall include
30 the approved application in a portfolio posted on the commission's
31 Internet Web site.

32 25987.24. (a) The board shall deposit into the Commercial
33 Building Energy Retrofit Debt Servicing Fund established pursuant
34 to Section 25987.38 any moneys collected pursuant to this chapter.

35 (b) The board may charge a program administration cost fee
36 on the owner of an eligible building to cover its costs as well as
37 the Treasurer's and the commission's costs in implementing this
38 chapter.

1 (c) *Nothing in this chapter shall be construed to require investor*
2 *owned utilities or municipal utilities to serve in the role as a*
3 *third-party private guarantor or loan servicer.*

4 25987.25. (a) *A local government that has issued revenue*
5 *bonds pursuant to a program providing financial assistance to*
6 *commercial and residential buildings owners undertaking a*
7 *renewable energy, water efficiency, or energy efficiency retrofit*
8 *improvement on the buildings may apply to the commission for*
9 *participation in the program.*

10 (b) *Upon the approval of an application submitted by the local*
11 *government for the building or buildings in which that jurisdiction*
12 *is located, the commission may purchase all those outstanding*
13 *revenue bonds issued by the local government.*

14 (c) *Upon the purchase of the revenue bonds issued by the local*
15 *government by the commission, the commission succeeds to all*
16 *rights conferred upon the bondholder by those revenue bonds and*
17 *the local government shall remit revenue that is used to secure*
18 *those revenue bonds to the board.*

19 25987.26. *The commission shall do all of the following:*

20 (a) (1) *On or before July 1, 2013, analyze and evaluate*
21 *standards for commercial energy building retrofits previously*
22 *developed by various national and international organizations to*
23 *provide uniformity and transparency for financial institutions*
24 *evaluating loan proposals for energy improvements to commercial*
25 *properties.*

26 (2) *The evaluation shall evaluate existing protocols or*
27 *combination of elements of existing measurement protocols and*
28 *shall be made available in an electronic format to financial*
29 *institutions and local governments initiating loans pursuant to this*
30 *chapter.*

31 (b) *Establish those standards, guidelines, and procedures,*
32 *through regulation, including, but not limited to, standards of*
33 *credit worthiness for qualification of program applicants, that are*
34 *necessary to ensure the financial stability of the program and*
35 *otherwise prevent fraud and abuse.*

36 (c) *Establish qualifications for the certification of contractors*
37 *to construct or install energy efficiency improvements.*

38 (d) *Contract with a party, public or private, to do any of the*
39 *following:*

1 (1) Ensure that appropriate steps are taken to monitor the
2 quality of energy efficiency improvements financed pursuant to
3 this division and measure the total energy savings achieved by the
4 program.

5 (2) Monitor the total number of program participants.

6 (3) Determine the total amount paid to contractors and financial
7 institutions pursuant to the program.

8 (4) Calculate the number of jobs created by the program, the
9 number of defaults by program participants, and the total losses
10 from the defaults, and calculate the total dollar amount of bonds
11 issued by the commission to reimburse program participants.

12 (e) Develop a model energy aligned lease provision that
13 modifies, upon the agreement between the owner and tenants of
14 an eligible building, a commercial lease agreement allowing the
15 owners to recover the costs of the renewable energy, water
16 efficiency, or energy efficiency retrofit improvements that result
17 in operational savings based on the useful life of the retrofit while
18 protecting tenants from underperformance of the energy efficiency
19 improvements.

20 (f) Develop a request for proposal to contract with one or more
21 financial institutions to secure a short-term, revolving credit facility
22 (warehouse line of credit) for the purpose of creating an interim
23 financing mechanism for the loans that would be aggregated for
24 the purposes of issuance of a revenue bond pursuant to Section
25 26987.30. Credit issued under the warehouse line of credit shall
26 not be deemed to constitute a debt or liability of the state or of any
27 political subdivision thereof, or a pledge of the full faith and credit
28 of the state or of any political subdivision, but shall be payable
29 solely from the funds provided therefor. All credit instruments
30 shall contain a statement to the following effect:

31
32 “Neither the faith and credit nor the taxing power of the State
33 of California is pledged to the payment of principal and interest
34 on this credit instrument.”

35
36 The warehouse line of credit shall be drawn by the third-party
37 administrator for origination of direct loans to qualified applicants.

38 25987.27. No later than June 30, 2014, and no later than June
39 30 of every fifth year thereafter, the State Auditor shall conduct,
40 or cause to be conducted, a performance audit of the program.

1 *The State Auditor shall prepare a report and recommendations*
2 *on each audit conducted and present the report and*
3 *recommendations to the President pro Tempore of the Senate and*
4 *the Speaker of the Assembly.*

5
6 *Article 3. Commercial Building Energy Retrofit Bond*
7

8 *25987.28. The Treasurer, on behalf of the commission, may*
9 *incur indebtedness and issue and renew negotiable bonds, notes,*
10 *debentures, or other securities of any kind or class. All*
11 *indebtedness, however evidenced, shall be payable solely from*
12 *moneys received pursuant to this chapter and the proceeds of its*
13 *negotiable bonds, notes, debentures, or other securities and shall*
14 *not exceed the sum of two billion dollars (\$2,000,000,000).*

15 *25987.29. The Legislature may, by statute, authorize the*
16 *Treasurer to issue bonds, as defined in Section 26987.30 in excess*
17 *of the amount provided in Section 26987.28.*

18 *25987.30. (a) On a semiannual basis, the commission shall*
19 *conduct a meeting for the purpose of authorizing the issuance of,*
20 *by the adoption of a resolution, negotiable bonds, notes, debenture,*
21 *or other securities (collectively called “bonds”) for the purposes*
22 *of generating sufficient moneys to fund the approved applications*
23 *in the portfolio at the time of the meeting or to repay an*
24 *outstanding balance of participant on whose behalf the commission*
25 *has provided funds through the warehouse line of credit. In*
26 *anticipation of the sale of bonds as authorized by Section 26987.28,*
27 *or as may be authorized pursuant to Section 26987.29, the*
28 *Treasurer, on behalf of the commission, may issue negotiable bond*
29 *anticipation notes and may renew the notes from time to time. The*
30 *bond anticipation notes may be paid from the proceeds of sale of*
31 *the bonds of the Treasurer in anticipation of which they were*
32 *issued. Notes and agreements relating to the notes and bond*
33 *anticipation notes (collectively called “notes”) and the resolution*
34 *or resolutions authorizing the notes may contain any provisions,*
35 *conditions, or limitations that a bond, agreement relating to the*
36 *bond, and bond resolution of the commission may contain.*
37 *However, a note or renewal of the note shall mature at a time not*
38 *exceeding two years from the date of issue of the original note.*

39 *(b) Every issue of its bonds, notes, or other obligations shall be*
40 *general obligations of the Treasurer or commission payable from*

1 revenues or moneys received pursuant to this chapter.
2 Notwithstanding that the bonds, notes, or other obligations may
3 be payable from a special fund, they are for all purposes negotiable
4 instruments, subject only to the provisions of the bonds, notes, or
5 other obligations for registration.

6 (c) Subject to the limitations in Sections 26987.28 and 26987.29,
7 the bonds may be issued as serial bonds or as term bonds, or the
8 Treasurer in its discretion, may issue bonds of both types. The
9 bonds shall be authorized by resolution of the Treasurer
10 commission and shall bear the date or dates, mature at the time
11 or times, not exceeding__years from their respective dates, bear
12 interest at the rate or rates, be payable at the time or times, be in
13 the denominations, be in the form, either coupon or registered,
14 carry the registration privileges, be executed in a manner, be
15 payable in lawful money of the United States of America at a place
16 or places, and be subject to terms of redemption, as the resolution
17 or resolutions may provide. The sales may be a public or private
18 sale, and for the price or prices and on the terms and conditions,
19 as the Treasurer shall determine after giving due consideration
20 to the recommendations of any participating party to be assisted
21 from the proceeds of the bonds or notes. Pending preparation of
22 the definitive bonds, the Treasurer may issue interim receipts,
23 certificates, or temporary bonds that shall be exchanged for the
24 definitive bonds. The Treasurer may sell bonds, notes, or other
25 evidence of indebtedness at a price below their par value. However,
26 the discount on a security sold pursuant to this section shall not
27 exceed 6 percent of the par value.

28 (d) A resolution or resolutions authorizing bonds or an issue
29 of bonds may contain provisions that shall be a part of the contract
30 with the holders of the bonds to be authorized, as to all of the
31 following:

32 (1) Pledging the moneys collected pursuant to this chapter from
33 the portfolio of approved applications that are funded by the bonds,
34 to secure the payment of the bonds or of any particular issue of
35 bonds, subject to the agreements with bondholders as may then
36 exist.

37 (2) The setting aside of reserves or sinking funds, and the
38 regulation and disposition of the reserves or sinking funds.

39 (3) Limitations on the right of the Treasurer or the commission
40 or their agent to restrict and regulate the use of the project or

1 *projects to be financed out of the proceeds of the bonds or any*
2 *particular issue of bonds.*

3 *(4) Limitations on the purpose to which the proceeds of sale of*
4 *an issue of bonds then or thereafter to be issued may be applied*
5 *and pledging those proceeds to secure the payment of the bonds*
6 *or the issue of the bonds.*

7 *(5) Limitations on the issuance of additional bonds, the terms*
8 *upon which additional bonds may be issued and secured, and the*
9 *refunding of outstanding bonds.*

10 *(6) The procedure, if any, by which the terms of a contract with*
11 *bondholders may be amended or abrogated, the amount of bonds*
12 *the holders of which must consent to the amendment or abrogation,*
13 *and the manner in which that consent may be given.*

14 *(7) Limitations on expenditures for operating, administrative,*
15 *or other expenses of the Treasurer or commission.*

16 *(8) Defining the acts or omissions to act that constitute a default*
17 *in the duties of the Treasurer or commission to holders of its*
18 *obligations and providing the rights and remedies of the holders*
19 *in the event of a default.*

20 *(e) Neither the Treasurer, the commission, or a person executing*
21 *the bonds or notes shall be liable personally on the bonds or notes*
22 *or be subject to personal liability or accountability by reason of*
23 *the issuance of the bond or note.*

24 *(f) The Treasurer shall have power out of any funds available*
25 *for these purposes to purchase its bonds or notes. The Treasurer*
26 *may hold, pledge, cancel, or resell those bonds, subject to and in*
27 *accordance with agreements with bondholders.*

28 *(g) The commission, the Treasurer, and the board shall enter*
29 *into a memorandum of understanding providing for the transfer*
30 *of energy remittance payments between the three agencies in*
31 *furtherance of this chapter.*

32 *(h) Should there be insufficient project valuation or insufficient*
33 *demand for the revenue bonds authorized by this chapter, the board*
34 *shall continue to collect the energy remittance payments and*
35 *service the loans. Failure to sell the revenue bonds shall not create*
36 *any liability for the state.*

37 *25987.31. In the discretion of the Treasurer, any bonds issued*
38 *under the provisions of this article may be secured by a trust*
39 *agreement by and between the Treasurer and a corporate trustee*
40 *or trustees, which may be the Treasurer or any trust company or*

1 bank having the powers of a trust company within or without the
2 state. Such trust agreement or the resolution providing for the
3 issuance of such bonds may pledge or assign the revenues to be
4 received pursuant to this chapter, to be financed out of the proceeds
5 of such bonds. Such trust agreement or resolution providing for
6 the issuance of such bonds may contain such provisions for
7 protecting and enforcing the rights and remedies of the
8 bondholders as may be reasonable and proper and not in violation
9 of law, including particularly such provisions as have herein above
10 been specifically authorized to be included in any resolution or
11 resolutions of the commission authorizing bonds thereof. Any bank
12 or trust company doing business under the laws of this state which
13 may act as depositary of the proceeds of bonds or of revenues or
14 other moneys may furnish such indemnifying bonds or pledge such
15 securities as may be required by the Treasurer. Any such trust
16 agreement may set forth the rights and remedies of the bondholders
17 and of the trustee or trustees, and may restrict the individual right
18 of action by bondholders. In addition to the foregoing, any such
19 trust agreement or resolution may contain such other provisions
20 as the Treasurer may deem reasonable and proper for the security
21 of the bondholders. Notwithstanding any other law, the Treasurer
22 shall not be deemed to have a conflict of interest by reason of
23 acting as trustee pursuant to this chapter.

24 25987.32. Bonds issued under the provisions of this article
25 shall not be deemed to constitute a debt or liability of the state or
26 of any political subdivision thereof, other than the authority, or a
27 pledge of the faith and credit of the state or of any such political
28 subdivision, but shall be payable solely from the funds herein
29 provided therefor. All such bonds shall contain on the face thereof
30 a statement to the following effect: "Neither the faith and credit
31 nor the taxing power of the State of California is pledged to the
32 payment of the principal of or interest on this bond." The issuance
33 of bonds under the provisions of this article shall not directly or
34 indirectly or contingently obligate the state or any political
35 subdivision thereof to levy or to pledge any form of taxation
36 whatever therefor or to make any appropriation for their payment.
37 Nothing contained in this section shall prevent or be construed to
38 prevent the Treasurer from pledging its full faith and credit to the
39 payment of bonds or issue of bonds authorized pursuant to this
40 chapter.

1 25987.33. (a) *The Treasurer is hereby authorized to provide*
2 *for the issuance of bonds of the Treasurer for the purpose of*
3 *refunding any bonds, notes, or other securities of the Treasurer*
4 *then outstanding, including the payment of any redemption*
5 *premium thereon and any interest accrued or to accrue to the*
6 *earliest or subsequent date of redemption, purchase, or maturity*
7 *of such bonds.*

8 (b) *The proceeds of any such bonds issued for the purpose of*
9 *refunding outstanding bonds, notes, or other securities may, in*
10 *the discretion of the Treasurer, be applied to the purchase or*
11 *retirement at maturity or redemption of such outstanding bonds*
12 *either on their earliest or any subsequent redemption date or upon*
13 *the purchase or retirement at the maturity thereof and may,*
14 *pending such application, be placed in escrow to be applied to*
15 *such purchase or retirement at maturity or redemption on such*
16 *date as may be determined by the Treasurer.*

17 (c) *Pending such use, any such escrowed proceeds may be*
18 *invested and reinvested by the Treasurer in obligations of, or*
19 *guaranteed by, the United States of America, or in certificates of*
20 *deposit or time deposits secured by obligations of, or guaranteed*
21 *by, the United States of America, maturing at such time or times*
22 *as shall be appropriate to ensure the prompt payment, as to*
23 *principal, interest, and redemption premium, if any, of the*
24 *outstanding bonds to be so refunded. The interest, income, and*
25 *profits, if any, earned or realized on any such investment may also*
26 *be applied to the payment of the outstanding bonds to be so*
27 *refunded. After the terms of the escrow have been fully satisfied*
28 *and carried out, any balance of such proceeds and interest, income,*
29 *and profits, if any, earned or realized on the investments thereof*
30 *may be returned to the authority for use by it in any lawful manner.*

31 (d) *All such bonds shall be subject to the provisions of this*
32 *division in the same manner and to the same extent as other bonds*
33 *issued pursuant to this chapter.*

34 25987.34. *Bonds issued by the Treasurer are legal investments*
35 *for all trust funds, the funds of all insurance companies, banks,*
36 *both commercial and savings, trust companies, savings and loan*
37 *associations, and investment companies, for executors,*
38 *administrators, trustees, and other fiduciaries, for state school*
39 *funds, and for any funds which may be invested in county,*
40 *municipal, or school district bonds, and such bonds are securities*

1 *which may properly and legally be deposited with, and received*
2 *by, any state or municipal officer or agency or political subdivision*
3 *of the state for any purpose for which the deposit of bonds or*
4 *obligations of the state, is now, or may hereafter be, authorized*
5 *by law, including deposits to secure public funds if, and only to*
6 *the extent that, evidence of indebtedness or debt securities of the*
7 *participating party receiving financing through the issuance of*
8 *such bonds qualify or are eligible for such purposes and uses.*

9 25987.35. *The state hereby pledges and agrees with the holders*
10 *of the bonds and with a participant with an approved application*
11 *that the state will not limit, alter, restrict, or impair the rights*
12 *vested in the Treasurer or the commission or the rights or*
13 *obligations of a person or entity with which the commission*
14 *contracts to fulfill the terms of an agreement made pursuant to*
15 *this chapter. The state further agrees that it will not in any way*
16 *impair the rights or remedies of the holder of the bonds until the*
17 *bonds have been paid or until adequate provision for payment has*
18 *been made. The Treasurer may include this provision and*
19 *undertaking for the Treasurer in its bonds.*

20 25987.36. *No liability shall be incurred by the Treasurer or*
21 *the commission beyond the extent to which moneys have been*
22 *provided under this chapter; except that for the purposes of meeting*
23 *the necessary expenses of initial organization and operation until*
24 *such date as the Treasurer derives revenues or proceeds from*
25 *bonds or notes as provided under this chapter, the Treasurer may*
26 *borrow money as needed for such expenses from the State Energy*
27 *Resources Conservation and Development Special Account in the*
28 *General Fund in the State Treasury. Such borrowed moneys shall*
29 *be repaid with interest within a reasonable time after the Treasurer*
30 *receives revenues or proceeds from bonds or notes as provided*
31 *under this chapter.*

32 25987.37. (a) *Bonds issued pursuant to this division shall be*
33 *exempt from all taxation and assessment imposed pursuant to state*
34 *law.*

35 (b) *No later than February 1, 2013, the commission shall apply*
36 *to the United States Department of the Treasury under the Energy*
37 *Tax Incentive Act of 2005 (Title XIII of Public Law 109-58) for*
38 *the Treasurer to issue tax advantage bonds under the federal Clean*
39 *Renewable Energy Bonds program or any other applicable*
40 *programs.*

1 Article 4. *Commercial Building Energy Retrofit Debt Servicing*
2 *Fund*

3
4 25987.38. (a) *The Commercial Building Energy Retrofit Debt*
5 *Servicing Fund is hereby established in the State Treasury.*
6 *Notwithstanding Section 13340 of the Government Code, the*
7 *moneys in the fund are hereby continuously appropriated to the*
8 *Treasurer without regard to fiscal year for the purposes of paying*
9 *the principal and interest on bonds issued by the Treasurer*
10 *pursuant to Section 26987.28, servicing the warehouse line of*
11 *credit, and defraying any direct and indirect costs incurred by the*
12 *Treasurer in executing duties required by this chapter.*

13 (b) *All interest and income derived from the deposit and*
14 *investment of moneys in the fund shall be credited to the fund, and*
15 *all unexpended and unencumbered moneys in the fund at the end*
16 *of any fiscal year shall remain in the fund.*

17 25987.39. *The Loan Loss Reserve Account is hereby established*
18 *in the Commercial Building Energy Retrofit Debt Servicing Fund.*
19 *The board shall deposit the portion of the contractual energy*
20 *remittance that is the loan loss reserve fee into the account.*
21 *Notwithstanding Section 13340 of the Government Code, the*
22 *moneys in the account are hereby continuously appropriated to*
23 *the Treasurer without regard to fiscal year for the purposes of*
24 *paying outstanding balances due under an energy remittance*
25 *repayment agreement on a building that has been foreclosed upon*
26 *if the proceeds generated from the foreclosure proceedings are*
27 *insufficient to pay any past due payments past due under the energy*
28 *remittance repayment agreement, including accrued interest,*
29 *penalties, and fees. All interest and income derived from the deposit*
30 *and investment of moneys in the account shall be credited to the*
31 *account, and all unexpended and unencumbered moneys in the*
32 *account at the end of any fiscal year shall remain in the account.*

33 25987.40. *The Administration Account is hereby established*
34 *in the Commercial Building Energy Retrofit Debt Servicing Fund.*
35 *The Treasurer shall deposit into the account the program*
36 *administration fee collected pursuant to subdivision (b) of Section*
37 *25987.24 and penalties collected pursuant to Section 25987.16.*
38 *Notwithstanding Section 13340 of the Government Code, moneys*
39 *in the account shall be continuously appropriated to the Treasurer;*

1 *the commission, and the board for the costs of implementing this*
2 *chapter.*

3 25987.41. (a) *The Director of Finance shall transfer, as a*
4 *loan, up to ___dollars (\$___) from the General Fund to the board*
5 *to implement the collection of the energy remittance repayment.*

6 (b) *Any loan made pursuant to this section shall be repaid on*
7 *or before ____, with interest at the pooled money investment rate,*
8 *from energy remittance repayment collected pursuant to this*
9 *chapter.*

10 25987.42. *The commission, the board, and the Treasurer shall*
11 *be authorized to promulgate necessary regulations to implement*
12 *and administer this chapter.*

13 ~~SECTION 1. The Legislature finds and declares all of the~~
14 ~~following:~~

15 ~~(a) Commercial buildings represent a substantial opportunity~~
16 ~~to significantly increase energy efficiency and reduce greenhouse~~
17 ~~gas emissions. To accomplish these objectives, we need to address~~
18 ~~the design, construction, and operation of these buildings.~~

19 ~~(b) Energy use in the building sector accounts for approximately~~
20 ~~20 percent of global emissions of carbon dioxide, or 10 billion~~
21 ~~tons, annually.~~

22 ~~(c) The lack of accessible and affordable financing for energy~~
23 ~~efficiency results in energy-inefficient buildings, estimated to~~
24 ~~consume up to 50 percent more energy than required to achieve~~
25 ~~the same level of comfort.~~

26 ~~(d) It is possible to retrofit the California commercial building~~
27 ~~stock to use, on average, at least 50 percent less energy by 2050~~
28 ~~through the wide adoption of deep energy retrofits that save more~~
29 ~~energy and increase profits for building owners.~~

30 ~~(e) Investment in building performance upgrades is an intelligent~~
31 ~~business decision. Building performance upgrades lower operating~~
32 ~~costs, improve occupant comfort, hedge against utility price~~
33 ~~increases, demonstrate commitment to tenant well-being, reduce~~
34 ~~exposure to regulation, help the environment, and ultimately boost~~
35 ~~property values.~~

36 ~~(f) It is in the best interest of the state and its citizens to enable~~
37 ~~and encourage the owners of eligible commercial property to invest~~
38 ~~in new energy improvements, including energy improvements and~~
39 ~~renewable energy improvements, by enacting this act.~~

1 (g) ~~New improvements, including energy efficiency~~
2 ~~improvements and renewable energy improvements, can provide~~
3 ~~positive cashflow as the costs of the improvements are spread out~~
4 ~~over a long enough time and the owners' utility bill cost savings~~
5 ~~exceed the amount of the liens recorded on the eligible buildings~~
6 ~~to pay for the improvements.~~

7 (h) ~~Reduction in the amount of emissions of greenhouse gases~~
8 ~~and environmental pollutants, resulting from increased efficiencies~~
9 ~~and the resulting decreased use of traditional nonrenewable fuels,~~
10 ~~will improve air quality and may help to mitigate climate change.~~

11 SEC. 2. ~~Chapter 5.10 (commencing with Section 25499) is~~
12 ~~added to Division 15 of the Public Resources Code, to read:~~

13
14 ~~CHAPTER 5.10. COMMERCIAL BUILDING RETROFIT~~
15

16 ~~25499. This act shall be known, and may be cited, as the~~
17 ~~Commercial Building Energy Retrofit Act of 2012.~~

18 ~~25499.1. The purpose of this chapter is to enable private~~
19 ~~commercial building owners to invest in clean energy~~
20 ~~improvements, to incentivize private equity managers to invest in~~
21 ~~clean energy improvements, to stimulate the state economy by~~
22 ~~directly creating jobs for contractors and other persons who~~
23 ~~complete new energy improvements, and to reinforce the leadership~~
24 ~~role of the state in the new energy economy, thereby attracting~~
25 ~~energy manufacturing facilities and related jobs to the state.~~

26 ~~25499.2. (a) On or before January 1, 2016, the commission~~
27 ~~shall analyze and evaluate standards for commercial energy~~
28 ~~building retrofits previously developed by various national and~~
29 ~~international organizations to provide uniformity and transparency~~
30 ~~for financial institutions evaluating loan proposals for energy~~
31 ~~improvements to commercial properties.~~

32 ~~(b) The evaluation shall evaluate existing protocols or~~
33 ~~combination of elements of existing measurement protocols and~~
34 ~~shall be made available in an electronic format to financial~~
35 ~~institutions and local governments initiating PACE bonds as~~
36 ~~defined in Section 26104.~~